

Biweekly Narrative Seafood Report (No: 14 -2002): Korea

Prepared by Alaska State Trade Representative in Korea
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1. Korean Economy Update

Rising credit card delinquencies no cause for concern, Fitch says: Korea's banking sector is unlikely to face a crisis despite the recent surge in credit card delinquencies, Fitch Ratings said Monday.

In a press release, the international rating agency concluded that Korean banks are strong enough to tackle rising household lending and credit card delinquencies, even though their profitability will likely fall as a result.

"It is not the agency's belief that the rising trend in credit card delinquencies will seriously disrupt Korea's banking sector, nor lead to an individual bank's insolvency," the London-based agency said.

Fitch welcomed the Korean government's strong efforts to improve local banks' ability to handle their losses related to household lending through the introduction of more prudent provisioning and lending guidelines.

On the outlook for the Korean economy, the British agency forecast an annual gross domestic product (GDP) growth rate of 6 percent for both 2002 and 2003.

The prospects for the Korean economy remain positive overall, although rising domestic interest rates or an unexpected contraction in the local economy would inevitably depress borrowers' capacity to repay and lead to higher delinquencies, Fitch said.

"It is important to keep in mind the general outlook for the Korean economy, which will inevitably have some impact on both the operating environment for Korean banks, as well as the debt-servicing capability of borrowers," it said.

Regarding Korea's monetary policy, Fitch said that the Bank of Korea would consider raising interest rates slightly on a gradual basis if it sees clear signs of inflation.

Korean banks have pushed aggressively to market to the retail sector, most obviously in the area of credit cards, and delinquency levels are showing a rising trend.

The Korean authorities have moved in recent months on a number of fronts to reduce the risks for local banks associated with rising retail lending. These include new loan loss provisioning requirements and risk-weighted capital guidelines, as well as the

introduction of a new personal debt workout program, the so-called 'individual credit rehabilitation support program.'

Worryingly, credit card default rates continue on a rising trend, although some indications that default rates may be close to peaking are now emerging.

(Source: December 4, 2002, Korea Herald, Korea)

Economic Growth to Drop Next Year: OECD: The Organization for Economic Cooperation and Development (OECD), a global economic organization representing 30 nations, issued a forecast Thursday that the growth of the Korean economy next year would slow down, as compared to this year.

The global body also predicted that the consumer price next year would reach over 3 percent, on the impact of an upsurge in public utility fees.

In an economic prospect unveiled on Thursday, OECD forecasted that the economy for Korea will grow 6.1 percent this year, followed by 5.8 percent next year and 5.7 percent in 2004.

Prior to the OECD forecast, the International Monetary Fund (IMF) estimated that the Korean economy would advance by 6.3 percent this year, and slow down to 5.9 percent next year.

Meanwhile, the OECD report also predicted that the economy of the United States would rise by 2.3 percent this year and would continue to go upward to 2.6 percent in 2003 and 3.6 percent in 2004, growth rates which could spearhead a global economic turnaround.

The report, however, argued that the economic growth rate for Japan would stand at a meager 0.7 percent this year, followed by less than 1 percent next year.

2. Fisheries News in Korea

Korea, China Agree Fishing Quota for 2003: Korean fishing vessels will be able to enter China's Exclusive Economic Zone (EEZ) and catch up to 60,000 tons of fish there next year, the same quota permitted by China for this year. The quota for Chinese fishing in the EEZ in Korea, however, dropped to 93,000 tons next year, 16,600 tons less than the quota this year.

The number of fishing vessels allowed entry into the EEZ was set at 1,402 for Korean and 1,892 for Chinese vessels for next year. The number of Chinese vessels accounted for a substantial drop from the 2,796 vessels permitted this year.

A high-ranking official at the Ministry of Maritime Affairs and Fisheries (MMAF) said Thursday that the two countries' agreement on a fishing quota for next year came after meetings of government officials from Korea and China.

According to a bilateral agreement reached in June last year, China permitted 1,402 Korean boats to enter its EEZ to catch a maximum of 60,000 tons of fish in the first year of the agreement, while Korea allowed a maximum fish catch of 109,600 tons to 2,796 Chinese boats in its territorial waters.

(Source: November 7, 2002, the Chosun Daily, Korea)

Direct Purchase of Alaska Pollock: The Korean Ministry of Marine Affairs and Fisheries (MOMAF) plans to purchase 5,000 tons of frozen Alaska Pollock for emergency. MOMAF initially planned to store up 10,000 tons of frozen Alaska Pollock this year, but reached 4,830 tons as of end-Nov. 2002.

(Source: December 2, 2002, the Korea Fisheries Times, Korea)

3. Weekly Trend of Wholesale Fisheries Market in Korea

1) Noryangjin Wholesale Fisheries Market in Seoul, Korea: Nov. 20-26, 2002

The mackerel from Busan, Korea, was the leading item traded during the above period.

- Mackerel: Supply – 90 tons per day
 Price – W 35,000 / 14-kg-box (\$ 0.92/lb) for medium quality,
 W 2,500 (US \$ 2.04) per box down from the previous week
- Fresh Squid: Supply – 40 tons per day
 Price – W 10,000 / 8-kg-box (\$ 0.46/lb) for medium quality
 (Same as the previous week)
- Fresh oysters: Price – W 7,000/2-kg-box (\$ 1.30/lb) for medium quality
 W 7,000(US \$ 5.70) per box down from the previous week.

2) Garakdong Wholesale Fisheries Market in Seoul, Korea: Nov. 19 - 25, 2002

The prices for many species went down due to oversupply:

- Fresh mackerel: Supply – 4.5 tons per day
 Price - W 14,000/10-kg-box (\$.52/lb) for medium,
 (down 35% from the previous week)
- Fresh hair tail: price – W 20,000 per 3-kg-box (\$ 2.50/lb) for medium,

(Source: December 2, 2002, the Korea Fisheries Times, Korea)